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CANADIAN DIRECT INVESTMENT POSITION ABROAD

Trends and Recent Developments

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Trends and Recent Developments

Synopsis

Until very recently, the Canadian direct investment position abroad was considered a dull subject. Its rate of growth was easily predictable. Its location followed established patterns. The industries which attracted it were also easily discernible. And only a handful of large Canadian enterprises accounted for close to 90% of the total Canadian direct investment abroad.

But then, over a period of five years beginning in 1977 and ending in 1981, Canadian direct investment abroad grew at an unprecedented rate. The United States became more important than before as a destination for those funds while the developing countries suffered a declining share. Although large enterprises were still significant investors, a number of medium- and small-sized enterprises also became active investors.

Three groups of industries — namely Manufacturing, Petroleum and Natural Gas and Real Estate — were largely responsible for the huge growth. Moreover, more important than the growth of total direct investment, was the much greater growth of Canadian-controlled investment abroad. This was because both domestic and foreign indirect investment in Canadian subsidiaries abroad increased at a much faster rate than direct investment. The absolute dollar value of this third party investment also grew at a very high rate.

Since the beginning of 1982, however, the rate of growth of Canadian direct investment abroad has returned to the slower pre-1977 pace. Is this period one of consolidation necessary to digest the huge increase that occurred in the five-year period ended in 1981, or is it a return to a "normal" growth pattern?

The Historical Trend of Canadian Direct Investment Abroad

Statistics Canada began to record Canadian direct investment in 1926. Until the end of World War II, however, these statistics were collected and published for selected years only. Since 1945, they have been published annually.

In the twenty-year period following 1926, the stock of direct investment abroad doubled. Over the next thirty years, this rate of growth accelerated, and the stock doubled every eight years.

From the end of 1976 to year-end 1981, direct investment abroad almost tripled. Most of this growth occurred in only three years — from 1978 to 1980 — when investment in foreign countries doubled. During the next three years, to the end of 1983, the rate of growth slowed significantly. The stock increased by only 50%, and more than one-half of this growth occurred in the first year — 1981. Since the beginning of 1982, the investment pattern seems to have returned to that observed from 1946 to 1976 — that is, growth of about 9% annually.

It may be too early to say whether the rate of growth of direct investment abroad over the five years from 1977 to 1981 is an aberration or a fundamental change. Nearly two-thirds of the total increase in direct investment between 1926 and 1981 occurred during those final five years. It was, by any standard, a rate of growth which would be difficult to maintain.

The sudden deceleration of this growth rate in 1982 may have signalled a period of consolidation. The 1983 and 1984 statistics are estimates and the final numbers may show that these estimates are conservative. But it is certain that the rate of growth has decreased compared with the period 1977 to 1981.

1977 To 1981: Abnormal Growth or a New Investment Pattern?

The years 1977 to 1981 were a period of unprecedented rate of growth in Canadian direct investment abroad, and one that may not be experienced again. At the end of 1981, Canadian direct investment abroad was \$32.5 billion. If the 1977-81 rate of growth were to continue over the next five years, Canadian direct investment abroad would reach about \$100 billion at the end of 1986, perhaps surpassing foreign direct investment in Canada.

However, it is not likely that the rate of growth observed during 1982-84 will result in either of these events occurring in 1986. At

the end of 1984, Canadian direct investment abroad totalled \$41.4 billion, while foreign direct investment in Canada was \$83.1 billion, up from \$66.5 billion three years earlier.

The Role of Capital Flows and Other Factors

Earlier reference was made to the fact that about two-thirds of the increase in direct investment stock between 1926 and 1981 took place from 1977 to 1981. Capital flows had the sharpest impact on the stock. Of the \$21.8 billion net capital outflows for direct investment between 1926 and 1981, the five years under review accounted for about \$15.7 billion, or 72%. In 1981 alone, the capital outflow amounted to \$6.9 billion.

The capital stock increased by \$21.2 billion during 1977-81 and capital flows accounted for 74% of it. Another \$4.9 billion, or 23%, represented the growth in retained earnings (see Statement 1). The balance of the increase was due to a number of factors: global changes in exchange rates had a positive effect on the value of the capital stock; differences between the market and the book values of assets sold or purchased, sometimes reduced, and at other times increased, the value of investments made abroad; and there were transactions for which high premiums over prevailing market prices were paid, as is usual in takeovers.

Statement 1. Components of the Increase in the Direct Investment

Position Abroad, 1977-81		
	\$ billions	%
Net capital flows	15.7	74
Retained earnings	4.9	23
Other factors	0.6	3
Total	21.2	100

As can be seen above, the most important factor in the growth of direct investment abroad from 1977 to 1981 was capital flows.

Historically, retained earnings had contributed to about one-third of the growth of the direct investment stock. In view of the tremendous flows of capital during this period, it is not surprising that the relative position of retained earnings declined. In fact, it is surprising that it did not fall further. The explanation for this is basically that a huge amount of funds flowed out to acquire existing concerns, especially in the United States. Capital was also invested in projects where the gestation period to profitability was relatively short, such as in real estate. If the capital had been devoted to start-up projects where the gestation period was much longer, the relative position of retained earnings would have been further reduced.

Direct Investment in the United States

Another important characteristic of Canadian direct investment abroad

is that the United States is the major target for this investment. In the two decades following the Second World War, the United States was the pre-eminent destination of Canadian direct investments made in foreign countries. From the mid-1960s to mid-1970s, investment was distributed more evenly around the globe. But between 1977 and 1981, the United States regained its predominant position — its share of Canadian direct investment stock abroad rose from 53% to 66%.

A number of factors were responsible for this great surge of investment in the United States. Perhaps the most important reason was confidence in the American economy. Not only Canada but also other industrialized countries, such as Great Britain, West Germany, the Netherlands and Japan, were actively investing in the United States. The strong undercurrents of conservatism in the late seventies and early eighties may have created an even more attractive economic environment.

Certainly, the exchange rate for significant European direct investors' currencies was strong in comparison with the U.S. dollar. It is difficult to say to what extent this situation influenced direct investment activities. But it is equally difficult to think that such considerations would not have played a part in the various takeover activities during that period.

However, during the period 1977-81, Canadian currency declined in relation to the U.S. dollar. Perhaps Canadian investors expected the Canadian dollar to decline still further. Some borrowed their

investment funds in the United States to avoid exchange rate risks; others borrowed European funds, anticipating a turnaround for the U.S. dollar. The relative importance of these various financing decisions can only be established by empirical studies. But the greater growth of controlled investment, in comparison with direct investment, suggests that there was more reliance on foreign funds for investment activities abroad. It is also likely that Canadian parent companies had borrowed a fair portion of the funds that originated as Canadian direct investment from foreign sources.

The late seventies were also a time of world-wide concern about inflation. There was a desire to hold real assets, irrespective of whether they were above or below ground, as effective hedges against inflation. Therefore, the assets of various United States corporations were attractive to foreign direct investors. Aside from the cost factor, it was quicker to acquire existing assets than to start from scratch.

In Canada, a number of enterprises had reached a certain stage of maturity. Many were considered among the best in the world in classes of industry such as real estate, telecommunications, publishing and certain consumer products. For such enterprises, the United States provided a more extensive market for expansion.

Direct Investment in Developing Countries

In terms of absolute growth, direct investment in the developing countries grew by nearly 80% — to \$4.9 billion — between 1977 and

1981. But this growth rate was only about one-third of that in the developed countries.

In comparison with the United States, the developing countries suffered a relative decline in Canadian direct investment during the five-year period ending in 1981. Their share of such investment fell nine percentage points, to 15%. Most of this drop occurred in 1979 as the result of a substantial disinvestment in Brazil. But even without this disinvestment, a noticeable dent would have been made in the relative position of the developing countries.

Canadian direct investment in developing countries grew fastest in Asia. Indonesia remained the most prominent host for direct investment in this region.

The Commonwealth countries also increased their relative position in total investments in the developing nations during this five-year period. Historically, Commonwealth ties were influenced by common language, business practices and familiar legal systems. There was also the attraction of Commonwealth tariff preferences. All of these influences have been quite evident in the geographical dispersal of Canadian investments abroad.

Direct investment in the Francophone developing countries continued to be negligible.

Some caution should be used when interpreting the relative gains made

by the Asian and the Commonwealth regions. First, these gains were greatly influenced by the large disinvestment in Brazil in 1979. Second, some of the direct investments made in countries, such as the Bahamas, Bermuda, the Netherlands Antilles and Panama, are of an intermediary nature and will eventually find their way to other countries. Where possible, we have traced such investments to their ultimate locations. It is not always possible, however, to reallocate such investments on the basis of the information presently available to us.

The Role of Medium-sized Enterprises¹ in Direct Investment Abroad

By size group, it was the medium-sized enterprises that played a key role in the tremendous increase of direct investment during the five-year period 1977-81. In this period enterprises with direct investments abroad worth at least \$100 million increased their relative share of total investment in foreign countries. At the beginning of 1977, they accounted for 65% of such investment; by end of 1981, their proportion had risen to 77%. Combined with that increased relative share was a four-fold increase in the number of enterprises in the \$100 million and over investment category. Out of the 50 new entrants into the large companies category by the end of 1981, 35 had been medium-sized companies five years previously.

¹ In this analysis, large enterprises are defined as those having over \$100 million in direct investments abroad, medium-sized as those having between \$10 million and \$100 million, while small-sized enterprises have under \$10 million.

At one time, Canadian direct investment abroad was not difficult to monitor since just a handful of enterprises accounted for most of the investment activity. For instance, about 16 enterprises contributed 65% of the total Canadian direct investment abroad at the beginning of 1977. This was not unlike the previous decade, when about 11 enterprises accounted for 68% of total direct investment. The number of enterprises with over \$100 million invested abroad increased by five each in both 1977 and 1978, then by ten in 1979, 14 in 1980 and 16 in 1981. By the end of 1981, these enterprises numbered 66. This huge increase in the number of such enterprises did not greatly affect the size of the enterprises in this category; their average size declined from \$466 million at the beginning of 1977 to \$389 million at the end of 1981.

Of the 66 enterprises in the \$100 million plus category that together constituted 77% of total Canadian direct investment abroad at the end of 1981, only 16 had already been large investors at the beginning of 1977. Another 35 had graduated from the medium-sized group of companies by 1981. Ten others had been small companies at the beginning of 1977. There were also five new investors who had not had any direct investments abroad prior to 1977.

Statement 2. Direct Investment Position of Large Companies of 1981,

By Size Status of 1976

Size status as of 1976	Number	1976	1981	Change
		\$ millions		
Large companies	16	7,450	14,197	6,747
Medium companies	35	1,657	8,693	7,036
Small companies	10	43	1,346	1,303
New companies	5	-	836	836
Total	66	9,150	25,072	15,922

Statement 3. Large Companies of 1981 by Size Status of 1976,

by Industry

Industry	Size category as of the end of 1976			
	Large	Medium	Small	Total
Manufacturing	8	14	3	25
Petroleum and Natural Gas ²	-	12	-	12
Real Estate and Other	8	9	7	24
All industries	16	35	10	61

Of the large companies at year-end 1981, the sixteen that were also large in 1976 had direct investment increases of \$6.7 billion during the 1976-1981 period. However the 35 companies that were medium sized at

² Some of the large and small Petroleum and Natural Gas companies have been included with the Real Estate and Other industry category for confidentiality reasons.

the end of 1976 had a somewhat bigger increase of \$7 billion. More strikingly the rate of increase of direct investment among the medium-sized companies was more pronounced. At the end of 1981, these companies accounted for 35% of the total direct investment position of all large companies. (See Statement 2). If this group of companies had not graduated into the large companies category by 1981, the relative position of the latter to total direct investment position would have been 50% instead of the actual 77%. The relative share of the 16 large enterprises that had constituted 65% of total direct investment at the beginning of 1977 had fallen to 44% at the end of 1981. Therefore by any yardstick, it was the medium-sized companies that figured prominently in the tremendous growth of direct investment in the 1976-81 period. In a comparison of this nature, the effects of inflation should be borne in mind. If \$100 million was the cut-off point for medium-sized enterprises at the beginning of 1977, the appropriate level five years later should be higher at least by the rate of inflation. However no such allowance for inflation has been made in this analysis.

The majority of the new entrants into the large-sized companies were in the Manufacturing, Petroleum and Natural Gas or Real Estate industries. (See Statements 3 and 4.)

Statement 4. Direct Investment Position, Year-end 1981, of New Entrants to the Large Company Category, from 1977 to Year-end 1981

Industry	Number	\$ Billions
Manufacturing	18	5.3
Petroleum and Natural Gas ³	12	3.3
Real Estate	6	0.9
Other	14	1.4
All industries	50	10.9

Statement 5. Relative Share of Large companies to Total Direct Investment, Year-ends 1976 and 1981

	1976	1981
	8	8
Large companies	65	44
Medium companies in 1976	-	27
Small companies in 1976	-	4
New companies since 1976	-	2
Total	65	77

Shifts in the Industry Pattern of Direct Investment

The tremendous increase in Canadian direct investment position abroad from 1977 to 1981 was accompanied by changes in relative positions of various industries. For instance, Petroleum and Natural Gas increased

³ The number relating to the Petroleum and Natural Gas industry has been adjusted downwards for confidentiality reasons and has been included in the Other category.

its share of total direct investment by six percentage points, rising from 12% to 18%. The relative position of the Financial industry increased from 9% to 13%, due largely to the increase in real estate investments. The importance of the Utilities industry declined 9 percentage points, to 5%.

In spite of these changes in the relative positions of other industries, Manufacturing — the major industrial category — lost only a slight portion of its share. It declined by only one percentage point, to 47% of total direct investments abroad. The remaining industrial categories were unchanged: Mining and Smelting was steady at 10%, Merchandising remained at 4%, and All Other Industry was a stable 3%.

Although the relative position of the Manufacturing industry was basically solid, there were important shifts among its various sub-categories. An example is the Chemical and Allied Products industry, which increased its relative contribution to direct investment in Manufacturing by 10 percentage points. The sub-category, Other Manufacturing, increased by 4 percentage points. These changes occurred at the expense of Beverages, down 7%, and Iron and Products, down 6%.

Equity and Control of Direct Investment Abroad⁴

Many of the Canadian companies which have significant subsidiaries, affiliates or branches abroad have a sizeable foreign ownership

⁴ See Appendix A.

component themselves. Therefore, "control of Canadian direct investment abroad" is the apportionment of Canadian direct investment according to the control of the investing Canadian enterprise.

This control should not be confused with the total capital at the disposal of Canadian direct investment companies abroad. The total capital is larger than is indicated by the value of Canadian direct investment abroad. Some of the direct investment enterprises abroad may have third party participation through ownership of their debt or stock⁵.

In data series on Canada's external assets, Canadian direct investment is shown without regard to the equity held indirectly by non-residents. This is because the total direct investment abroad of Canadian companies is frequently more significant for the Canadian balance of payments than the Canadian equity. For example, it is the total capital movements and the total income transfers arising from these investments which are relevant. The effect on the balance of payments is an important criterion for the inclusion of investments made abroad by Canadian companies.

One of the characteristics of the period 1977-81 was the decline in the proportion of foreign-controlled Canadian direct investment abroad: it fell from 21% to 17%. However, the non-resident equity in Canadian direct investment fell only slightly, from 34% to 33%.

⁵ The next section of this paper discusses the role of total capital controlled abroad by Canadian companies.

There are important instances where investments made outside Canada by Canadian companies are excluded from the statistics of Canadian investment abroad. This happens when the international transactions are of no real relevance to the Canadian balance of payments or to the Canadian economy generally. The group includes: Canadian investment and holding companies wholly owned abroad whose assets are also wholly situated abroad; the foreign ownership in some Canadian companies operating only abroad in which beneficial Canadian ownership is minor; and some subsidiaries abroad of operating companies wholly owned abroad if the operations abroad are not directly related to the Canadian functions.

Canadian-controlled Investment Abroad⁶

Much more important than direct investment during the 1977-81 period was the total Canadian-controlled long-term investment abroad, that is, direct plus third party investment. In the three-year period 1979 to 1982, the total controlled long-term investment increased two-and-a-half times as much as direct investment.

⁶ Information about such investment has been collected only since the end of 1979 and is presently available up to the end of 1982. Therefore, all references in this article to Canadian-controlled investment abroad are for the period from the end of 1979 to the end of 1982.

Direct investment grew by \$13.8 billion, to \$33.9 billion, whereas the total controlled long-term investment leapt by \$34.4 billion, to \$67.5 billion. The difference between the stocks of direct and total controlled investment represents third party investments by other residents and non-residents in both equity and debt of Canadian direct investment enterprises abroad. At the end of 1982, such third party investments amounted to \$33.7 billion, an increase of \$20.6 billion over a three-year period.

Statement 6. Canadian Direct and Controlled Investment Abroad,

Year-ends 1979 to 1982			
Year	Direct Investment	Third Party Investment	Controlled Investment
	A	B	A & B
\$ millions			
1979	20,027	13,136	33,163
1980	25,803	22,151	47,954
1981	32,537	28,250	60,787
1982	33,865	33,683	67,548

As the accompanying statistical statements show, the trend in the industrial distribution of controlled investment abroad is similar to that of direct investment. Globally, the Manufacturing, Real Estate and Petroleum and Natural Gas industries have experienced the greatest growth. In the United States, the Real Estate industry experienced the most growth, followed by the Manufacturing and the Petroleum and Natural Gas industries (see Statements 6 and 7).

Statement 7. Canadian Controlled Investment Abroad - Location by Industry,

Year-Ends 1979 and 1982

	United States		United Kingdom		Other Countries		All Countries	
	1979	1982	1979	1982	1979	1982	1979	1982
	\$ millions							
Manufacturing	7,828	15,302	1,797	2,304	4,710	7,665	14,335	25,271
Petroleum and Natural Gas	2,980	7,569	638	1,023	747	1,878	4,365	10,470
Mining	2,050	1,795	35	-	2,551	2,900	4,636	4,695
Utilities	976	1,168	79	103	1,048	1,850	2,103	3,121
Merchandising	950	1,918	173	203	533	880	1,656	3,001
Real Estate	2,590	12,237	544	475	112	166	3,246	12,878
Other Financial	1,496	3,591	196	358	448	1,400	2,140	5,349
Other Enterprises	547	2,136	53	260	80	367	680	2,763
All industries	19,416	45,715	3,514	4,727	10,233	17,106	33,163	67,548

Information about the identity of third parties investing in Canadian-controlled enterprises abroad is not available. To what extent such investment originates from Canadian residents, as opposed to foreign residents, is also not known. Some other useful information has not been collected — such as investment guaranteed by the Canadian parent corporations. However, it is reasonable to expect that Canadian financial institutions and their various subsidiaries and branches abroad would be significant third party investors in these enterprises.

Statement 8. Changes in Canadian Controlled Investment Abroad -

Location by Industry for the Period 1979 to 1982

	United States	United Kingdom	Other Countries	All Countries
\$ millions				
Manufacturing	7,474	507	2,955	10,936
Petroleum and Natural Gas	4,589	385	1,131	6,105
Mining	(255)	(35)	349	59
Utilities	192	24	802	1,018
Merchandising	968	30	347	1,345
Real Estate	9,647	(69)	54	9,632
Other Financial	2,095	162	952	3,209
Other Enterprises	1,589	207	287	2,083
All industries	26,299	1,213	6,873	34,385

What is the significance of such tremendous growth in controlled investment to Canadian direct investment abroad? Such growth leads to a greater leverage of Canadian direct investment. If the investments prove successful, the growth of direct investment abroad will accelerate. If they turn sour, then there will be little or no growth, and perhaps even disinvestment. If the liabilities of foreign subsidiaries to third parties are backed by parental guarantees, we might see large outflows of direct investment capital should conditions give rise to the need to use such guarantees. Such flows would not represent new investments, just the substitution of one form of investment for another. These flows could conceivably occur even in the event of ultimate bankruptcies of some of the subsidiaries abroad.

Developments from 1982 to 1984

Preliminary estimates show that the stock of Canadian direct investment abroad increased at a compounded annual rate of 8% between 1982 and 1984. The lowest rate of growth was in 1982 when the stock grew by only 4%. In the following year, the rate of growth rose slightly to 6%, followed by a respectable growth of 15% in 1984.

In absolute terms, the increase amounted to about \$8.8 billion. Capital flows accounted for most of the change — \$7.7 billion. Various valuation adjustments — principally the strength of the U.S. dollar and market value/book value adjustments following the sale of certain direct investments in the U.S. — contributed \$4.1 billion. But these increases were partially offset by the loss of some \$3 billion.

The negative contribution was due largely to substantial losses and write-offs by Canadian direct investment enterprises, especially in the United States, most of which were suffered in 1982. In that year, preliminary estimates show that losses amounted to about \$2.5 billion made up as follows: Petroleum and Natural Gas, \$1,100 million; Manufacturing, \$600 million; Real Estate, \$400 million; Mining, \$200 million; and all other industries, \$200 million.

According to preliminary indications, net losses and write-offs in 1983 amounted to about \$750 million. It seems that a turnaround occurred in 1984. However, since the 1983 and 1984 statistics are still incomplete, it is difficult to base any firm conclusions on them.

But the important point is that although the economic recession affected all industries, those hit hardest were the very same industries that were in the vanguard of the unprecedented Canadian direct investment abroad in the 1977-81 period, namely Petroleum and Natural Gas, Manufacturing and Real Estate.

Some large conglomerates invested heavily in the Petroleum and Natural Gas industry - an involvement which has been to some a benefit and to others a regrettable experience. Certain enterprises have withdrawn from this industry and suffered large write-offs and losses. Some conglomerates involved in the Real Estate industry also have had their share of problems. Certain other industries have been troubled in the recent past, but not to the same degree as those in Petroleum and Natural Gas and Real Estate.

However, there are favourable aspects of Canadian investment abroad to consider. The rationalization of the Real Estate Industry must be viewed to appreciate the tenacity and resiliency of some of these players. For instance, some Real Estate enterprises have weathered the storm through financial reorganizations involving their principal creditors. Others have merged, either with financially stronger enterprises in the same industry or with conglomerates. Also, there is now a greater degree of joint venture participation with foreign real estate companies and insurance companies. Added to that is a very favourable intangible factor — the top-class management of some of these Real Estate enterprises. Perhaps more than anything else, the high-calibre management of some of these companies was responsible for rescuing them from bankruptcy.

In retrospect, it could be said that more caution could have been used in the Petroleum industry. The high premiums paid to acquire some assets may have been unwarranted. It should not be forgotten, though, that 1977-81 was a period of OPEC dominance and world prices of petroleum were expected to rise much higher. Assets were valued in terms of replacement costs and regarded as excellent hedges against anticipated high rates of inflation. But the reality turned out to be otherwise and there were some sour developments.

Foreign Manufacturing industries are quite prominent recipients of Canadian direct investment dollars. Investments have been made in some mature and slow growth industries which are affected by the economic cycles, and in others that are largely immune to them. In addition,

Canada is well represented in some of the more successful new growth industries. Canada also has an international competitive edge because of its expertise in the manufacture of certain consumer products and communications equipment.

The Financial industry is another field where Canadians are showing more interest abroad. It should be noted that, at present, statistics on direct investment abroad exclude the investments of Canadian chartered banks, which are far more than offset by their liabilities abroad. If these numbers were included, the contribution of the financial industry to total investment abroad would be greater than the current data suggest.

Conclusion

In recent years, the issue of Canadian direct investment abroad has attracted a great deal of attention. Over the years 1977 to 1981, such investment grew at an unprecedented rate. Since then, the rate of growth has subsided, but it is still comparatively high.

The Canadian experience was not unique; it was part of a global phenomenon that affected other direct investor countries as well. Furthermore, for all of these countries, including Canada, the increase in capital exports affected not only direct investment but also other types of capital, such as portfolio and short-term investments. The favourite destination for most of these capital exports was the United States.

For various reasons, the United States was attractive to non-residents wanting to make direct, portfolio and short-term investments abroad. The result of these developments was that, by the end of 1980, the United States had displaced Canada as the world's most important host country for foreign direct investment. And although the United States retains its pre-eminence as the home country for direct investors, its relative share of global direct investment has been eroded in recent years.

This paper has focussed on one aspect of Canadian investment abroad in recent years, namely direct investment. Assessing the impact of such investment on the Canadian economy, and on the economies of the host countries, is beyond the scope of this paper. But it should be noted that such an examination would, in any case, be restricted by the statistical data and the limited number of case studies available.

Appendix A

EQUITY AND CONTROL OF CANADIAN DIRECT INVESTMENT ABROAD

Company A

ABC (Canada) Ltd

Ownership

U.S. Ltd (Residency U.S.) - 75%

Individual Canadians (Residency - Canada) - 25%

Direct Investment Abroad = \$100 million

Equity in Direct Investment Abroad

U.S. Residents = \$75 million

Canadian Residents = \$25 million

Control of Canadian Direct Investment Abroad

U.S. Residents = \$100 million

Company B

XYZ (Canada) Ltd

Ownership

U.K. Ltd (Residency - U.K.) - 25%

Canadian Co. Ltd (Residency - Canada) - 60%

Individual Canadians (Residency - Canada) - 15%

Direct Investment Abroad = \$100 million

Equity in Direct Investment Abroad

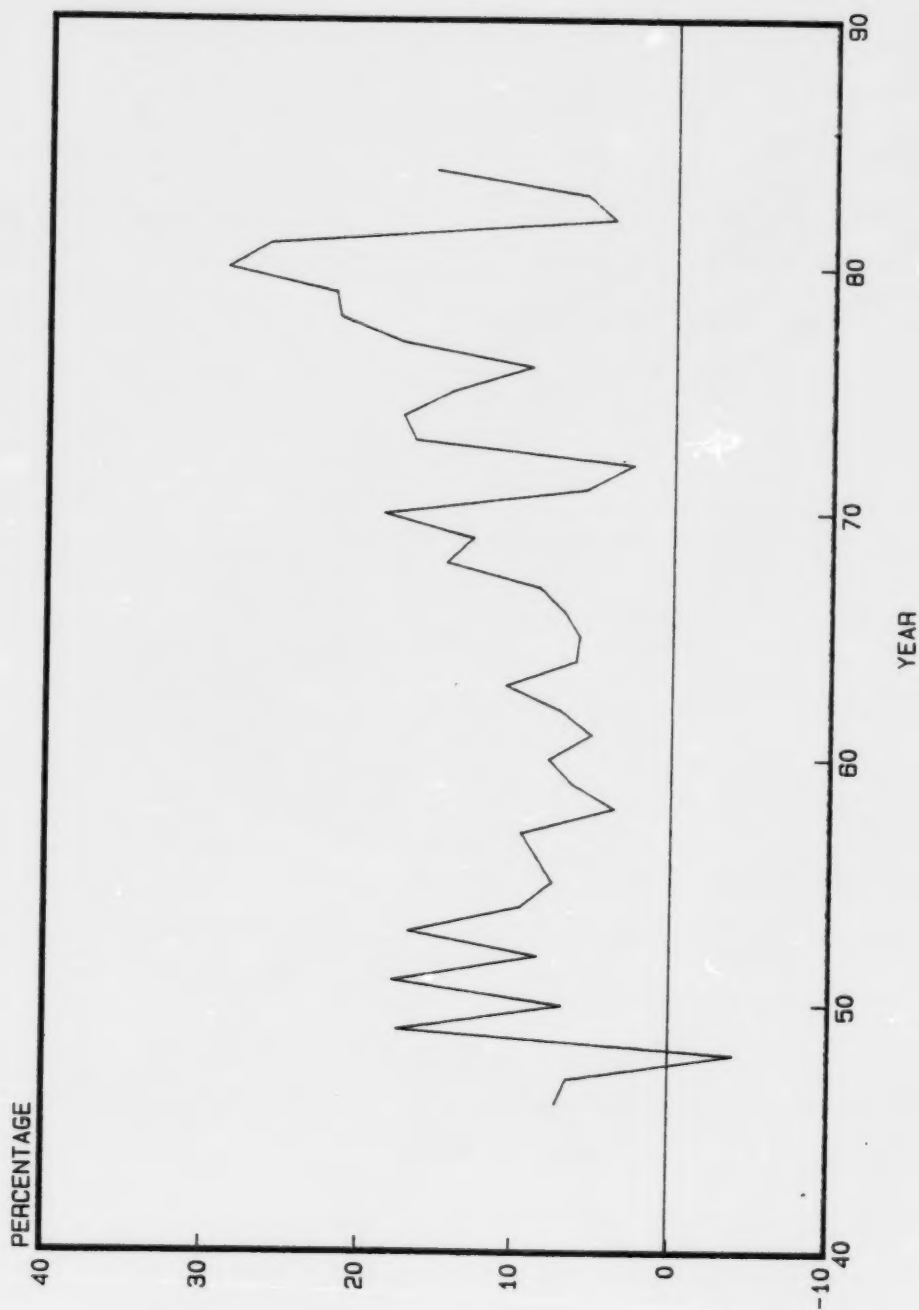
U.K. Residents = \$25 million

Canadian Residents = \$75 million

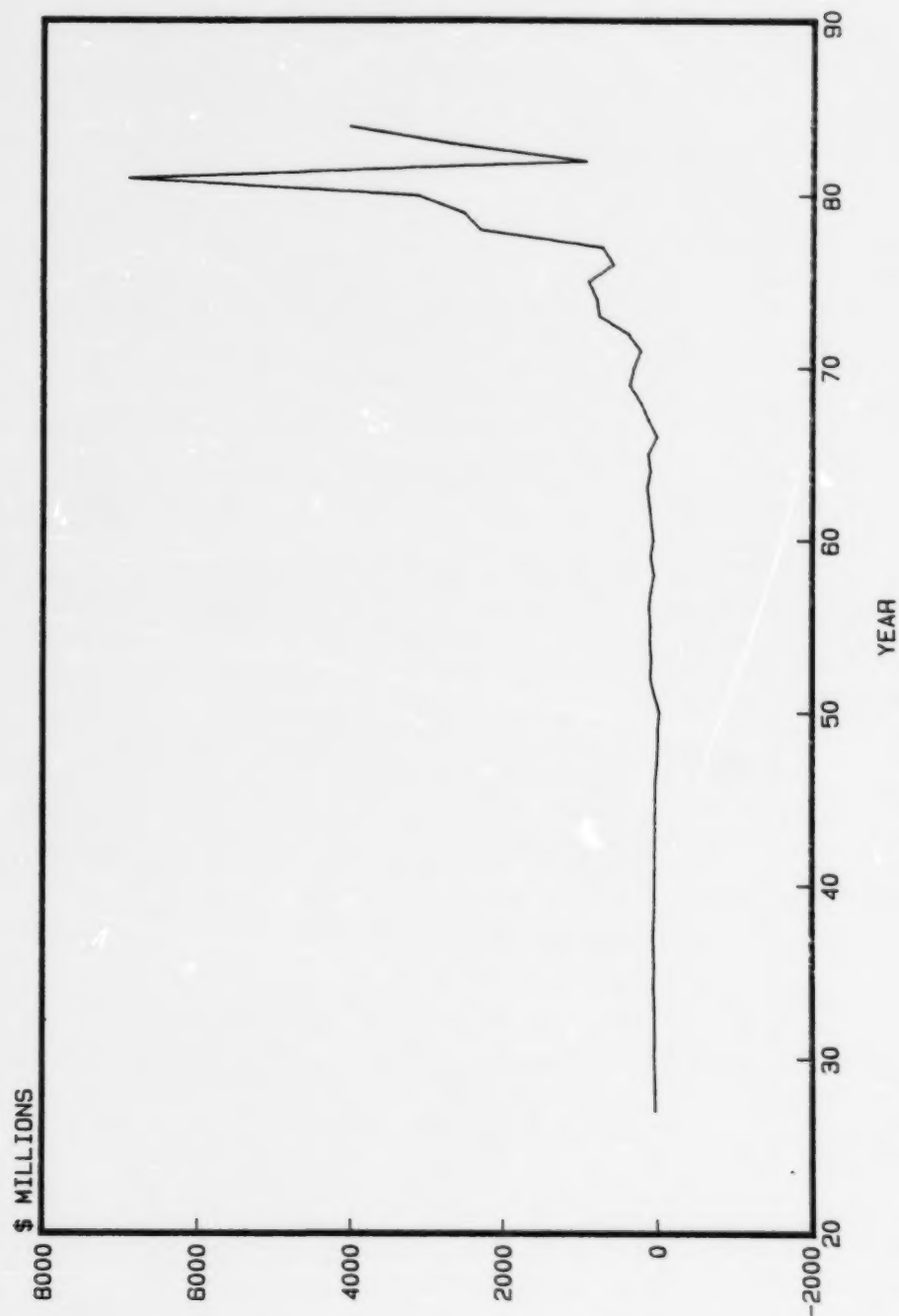
Control of Canadian Direct Investment Abroad

Canadian Residents = \$100 million

CANADIAN DIRECT INVESTMENT POSITION ABROAD
ANNUAL RATE OF GROWTH 1945-1984



CANADIAN DIRECT INVESTMENT POSITION ABROAD
CAPITAL MOVEMENTS 1927-1984



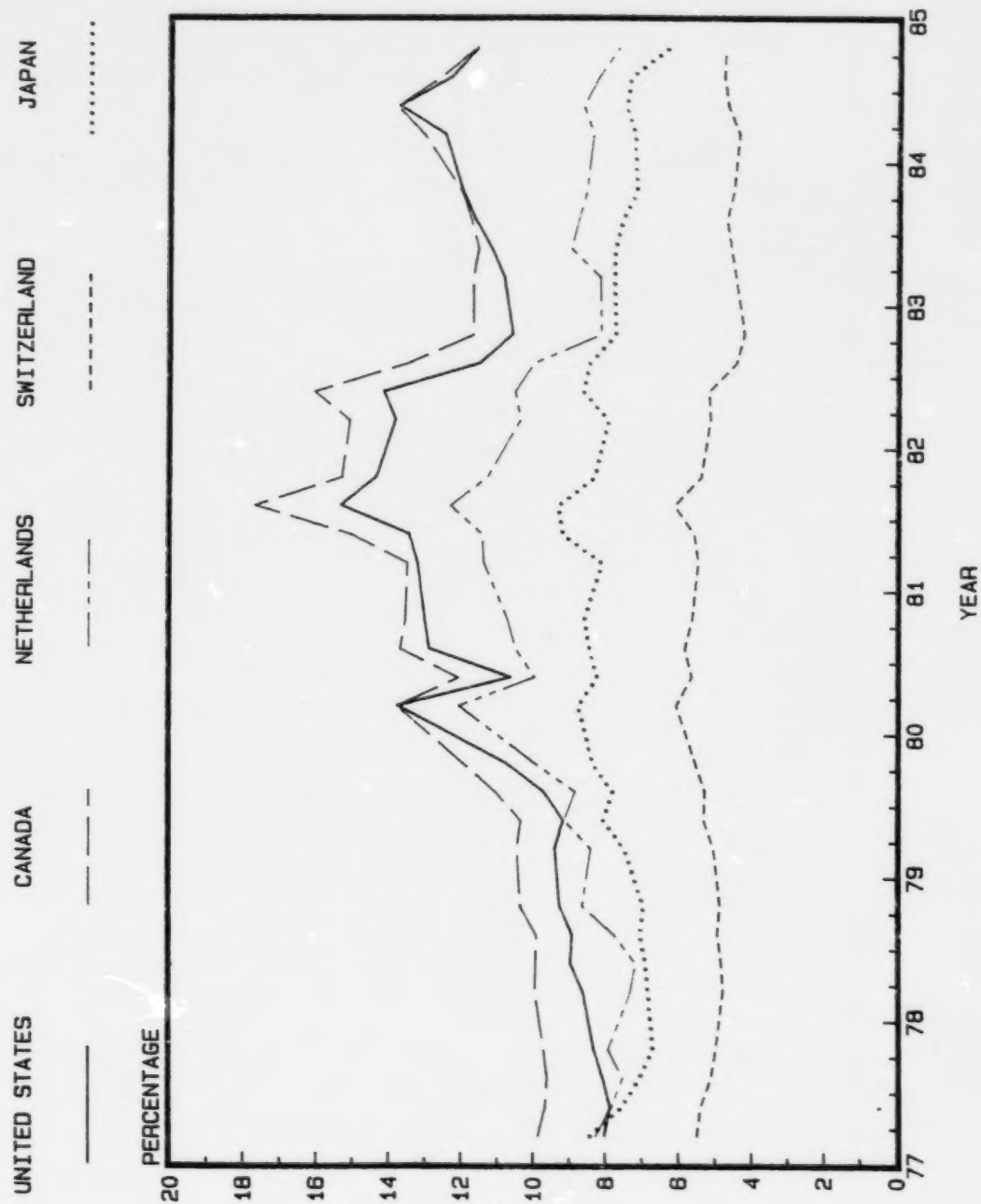
INDEX OF SELECTED CURRENCIES TO THE

UNITED STATES DOLLAR 1965-1984 (1971=100)

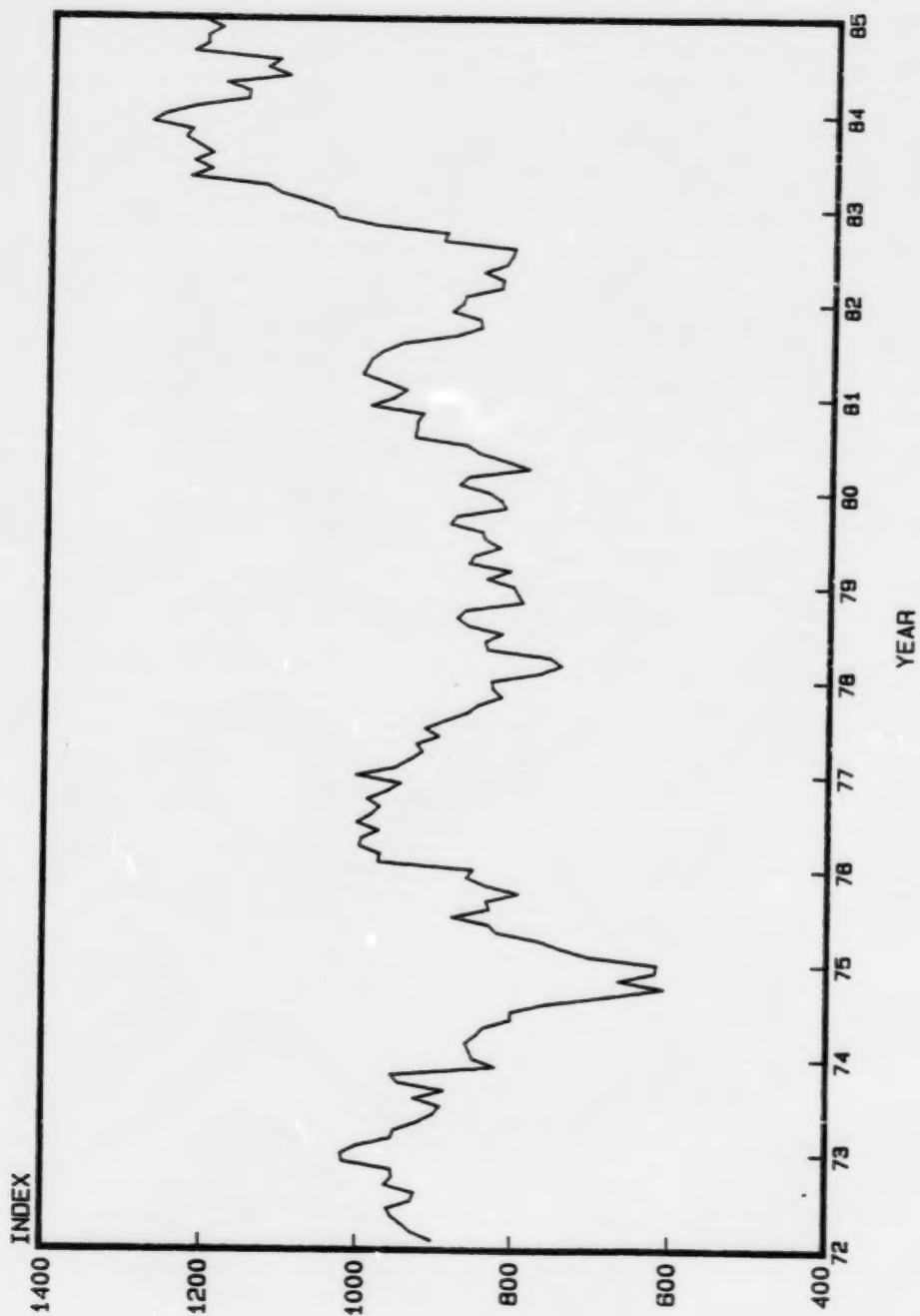
CANADIAN DOLLAR	U.K. POUND	GERMAN MARK	FRENCH FRANC	JAPANESE YEN
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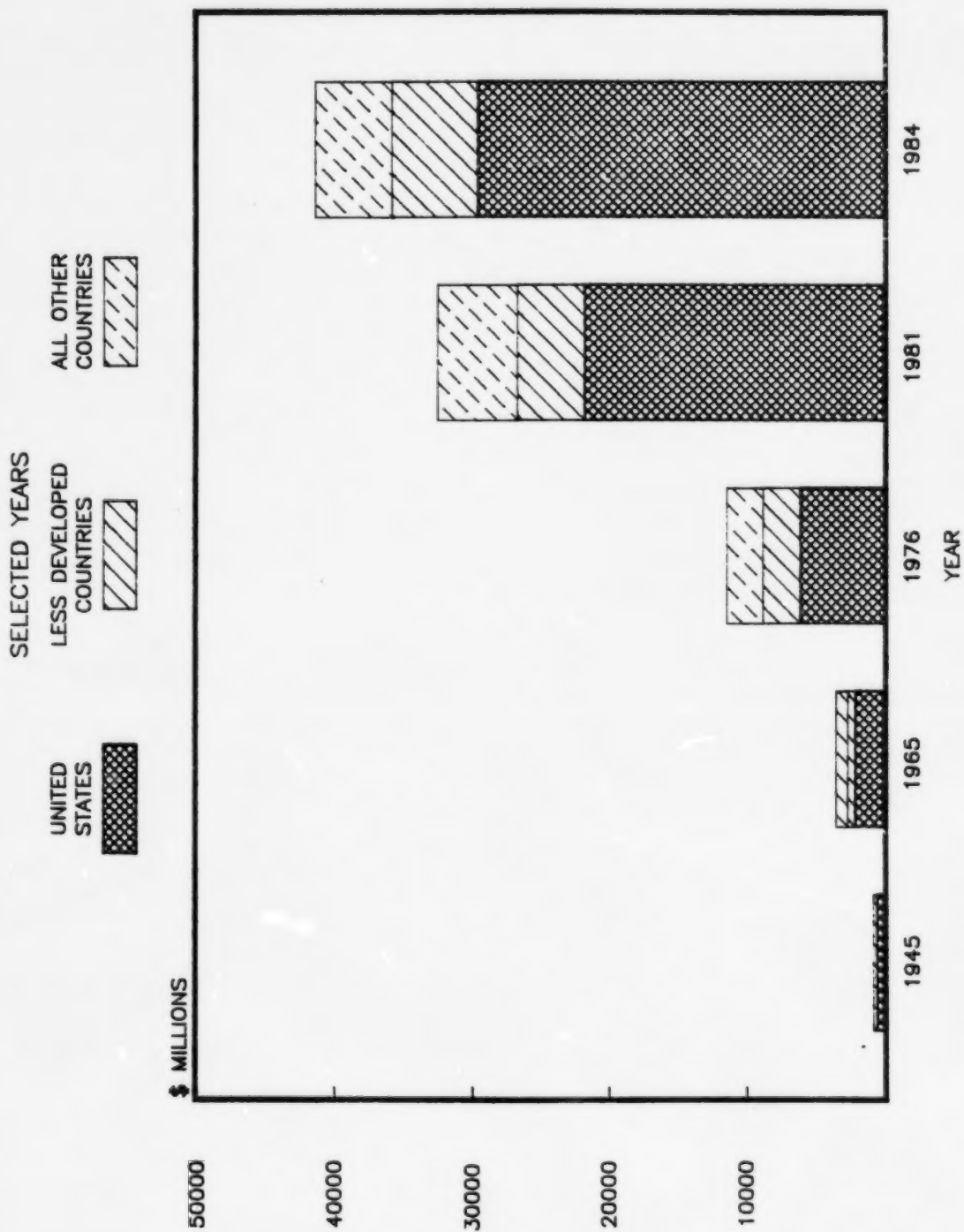
DOMESTIC GOVERNMENT LONG-TERM BOND YIELDS



DOW-JONES INDUSTRIAL PRICE INDEX
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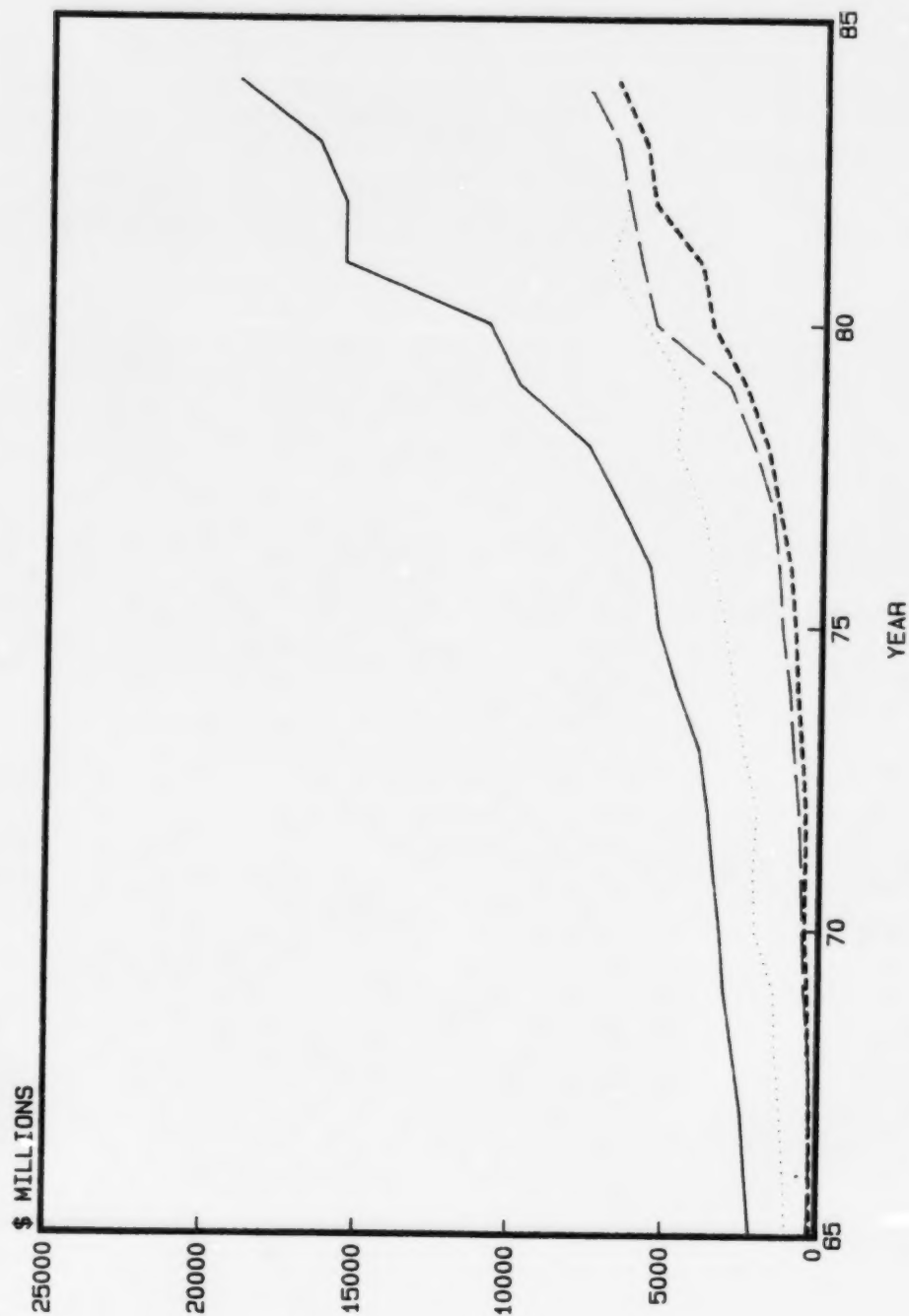
CANADIAN DIRECT INVESTMENT POSITION ABROAD



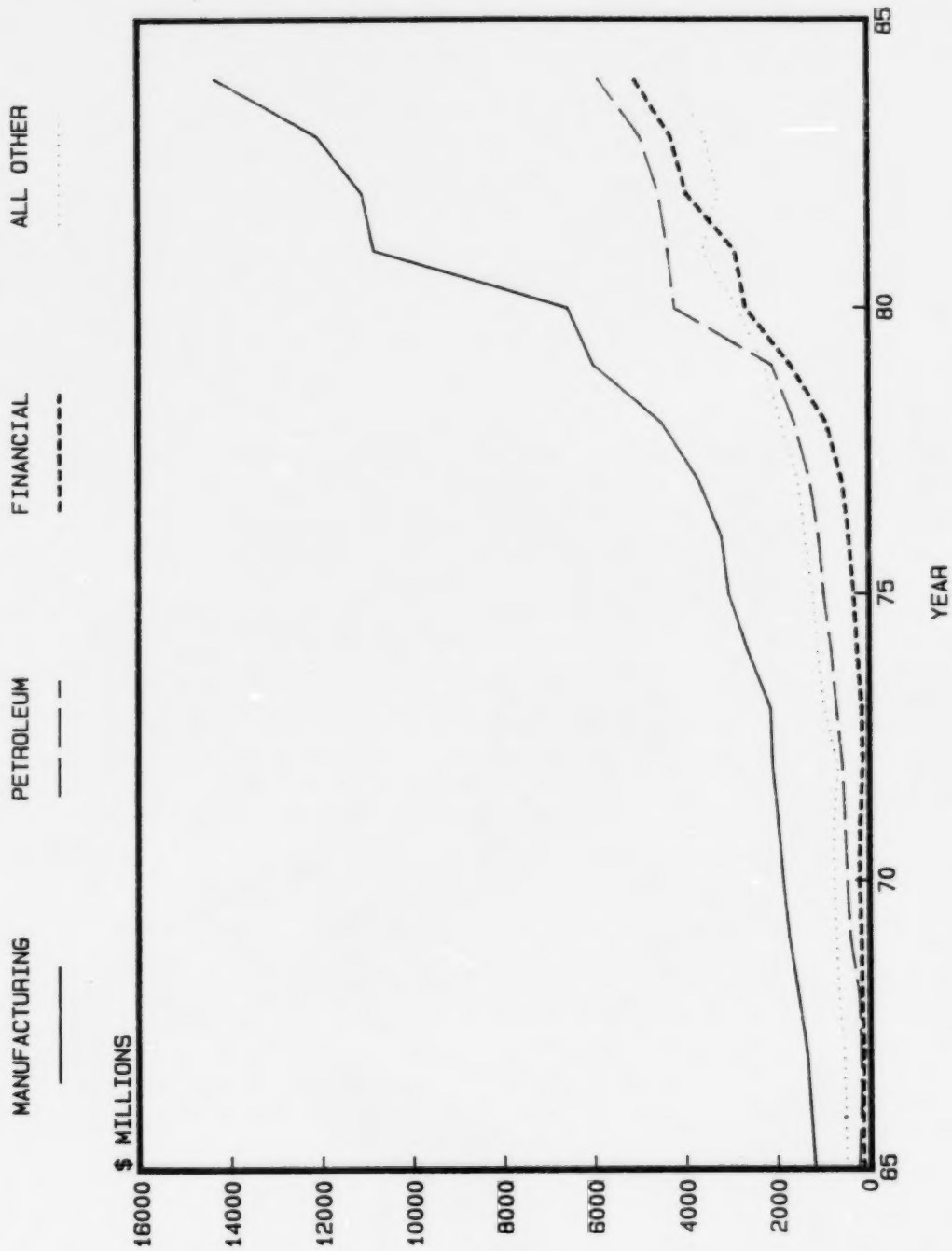
CANADIAN DIRECT INVESTMENT POSITION ABROAD

INDUSTRY 1965-1984

MANUFACTURING PETROLEUM FINANCIAL ALL OTHER



CANADIAN DIRECT INVESTMENT POSITION
IN THE UNITED STATES BY INDUSTRY 1965-1984



CANADIAN DIRECT INVESTMENT POSITION ABROAD DIRECT AND CONTROLLED INVESTMENT, YEAR ENDS 1979-1982

DIRECT INVESTMENT
THIRD PARTY INVESTMENT

